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CENTRAL INTELLIGENCE AGENCY

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SOUTHEAST ASIA

1. Impending coup against Vietnamese premier reported:

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The American army attaché in Saigon notes numerous rumors of plots to oust Premier Ngo Dinh Diem and points out that they have gained wider currency since the report of Bao Dai's plan to return. The Vietnamese army chief of staff, who is identified with French interests, and the Binh Xuyen organization, which controls the police, are identified among the plotters.

Meanwhile Jacques Raphael-Leygues, a special French emissary, recently arrived in Saigon and told Ambassador Heath on 13 August that the Binh Xuyen was about to depose Diem, and asked Heath to warn Diem of this danger. He urged that it be made clear that neither France nor the United States would support a government that came to power by the forcible overthrow of Diem.

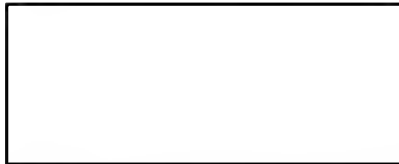
Raphael-Leygues position was that a stronger cabinet should be formed, headed by or at least including Diem. He strongly opposed the return of Bao Dai.

Comment: French authorities in both Saigon and Paris have sought to discredit Diem by heavy and frequent emphasis on his ineptitude and in at least one instance advised his replacement by a junta of unpopular Cochinchina politicians.

Raphael-Leygues' remarks may indicate that French policy has shifted to one of undercutting Diem by "broadening" his government to include these French favorites and by encouraging discord between Diem and the Bao Dai-sponsored Binh Xuyen police force. Such discord would neutralize Bao Dai's 13 August announcement of his full support of the Diem government.

2. Laotian prince bitter over French "sellout":

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The crown prince of Laos, a spokesman for the king, told the American chargé in Vientiane on 13 August that Laos had been sold out by France at Geneva. If

Laos were unable to count on its "former friends," he said, "it would be necessary to turn elsewhere, even to China."

The chargé comments that the prince is apparently trying to enlist American aid "against France."

Comment: The creation of the two assembly areas for the Pathet Lao forces in Phong Saly and Sam Neua constitute a de facto partition of Laos.

The chief French representative in Laos has made plain French resistance to the extension of American influence in Laos.

WESTERN EUROPE

3. Austrian chancellor reacts favorably to Soviet offer of treaty talks:

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Austrian chancellor Raab, upon being informed of the 12 August Soviet note offering new negotiations on the Austrian treaty, exclaimed, "This is better than we expected."

A high Austrian Foreign Ministry official has told American representatives of his belief that the Soviet note makes it inopportune to place the Austrian question on the agenda of the forthcoming UN General Assembly session.

The American embassy believes the Austrians will be most reluctant to reject out of hand any Soviet offer of negotiations as long as Moscow's treaty terms are not "transparently unacceptable."

Comment: Moscow's demand for indefinite occupation after a treaty is concluded, which is unacceptable to Vienna, is not repeated in the note, but it is not believed that the USSR has dropped this point.

The Soviet note, in reply to the 22 July Austrian-proposed conference of ambassadors on the alleviation of occupation burdens, proposes instead a conference of ambassadors on an Austrian treaty.

British and French officials are likely to conclude that the Soviet suggestion will not lead to any settlement on the Austrian state treaty. Nevertheless, if Raab insists that a conference be convened as the Soviet Union proposes, it may be difficult for the Allies to avoid the conference.

4. American ambassador fears consequence if US favors UN discussion on Dutch New Guinea:

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[REDACTED] Following a talk on 12 August with Foreign Minister Luns, Ambassador Matthews in The Hague warned that American support of any UN discussion of Dutch New Guinea's status "would bring American-Dutch relations to the lowest ebb in history." It would add to existing bitterness in the Netherlands over the recent "unexpected" American decision not to support the Dutch candidate for the presidency of the forthcoming UN General Assembly.

Comment: Despite the unusually strong language of Dutch officials in their protests to the United States, press reactions appear less violent. The Dutch government, furthermore, has not permitted this situation to influence its action in such matters as the air base agreement successfully concluded with the United States last week.

The American embassy in Djakarta has reported that the Indonesian cabinet has approved a draft resolution that was deliberately made as mild as possible in the hope that it might win American support. It will ask only that the two parties to the New Guinea dispute discuss the matter.